

- Translation -

Management Discussion and Analysis for Interim Business Operations

Financial Performance for the year ended December 31 , 2017 (Unit : Million Baht)				
	2017	2016	Inc./ (Dec.)	%
Construction income	229.11	365.23	-136.12	-37.27
Service income	22.16	40.66	-18.50	-45.50
Sale of goods	1.05	0.00	1.05	
Other income	2.43	8.84	-6.41	-72.51
Total Revenues	254.75	414.73	-159.98	-38.57
Cost of construction	227.52	399.03	-171.51	-42.98
Cost of services	16.78	23.42	-6.64	-28.35
Cost of sold	0.36	0.00	0.36	
Administrative expenses	53.89	105.59	-51.70	-48.96
Finance cost	13.37	14.80	-1.43	-9.66
Total Expenses	311.92	542.84	-230.92	-42.54
Share of gain/loss from investments in associate	0.00	-0.49	0.49	100.00
Loss Before Income Tax	-57.17	-128.60	71.43	55.54
Income tax expense	-2.43	-1.68	-0.75	44.64
Total loss for the period	-59.60	-130.28	70.68	54.25
Other Comprehensive Income	1.02	5.56	-4.54	81.65
Total comprehensive loss for the year	-58.58	-124.72	66.14	53.03
Non-controlling interests of the subsidiaries	0.21	0.27	-0.06	22.22
Profit(Loss) attributable to equity holders of the company	-59.81	-130.55	70.74	54.19
Financial Position as at December 31 (Unit : Million Baht)				
	2017	2016	Inc./ (Dec.)	%
Current Assets	305.00	189.91	115.09	60.60
Non-Current Assets	259.75	278.47	-18.72	-6.72
Total Assets	564.75	468.38	96.37	20.58
Current Liabilities	202.31	243.80	-41.49	-17.02
Non-Current Liabilities	156.49	154.06	2.43	1.58
Total Liabilities	358.80	397.86	-39.06	-9.82
Total Shareholders ' Equity	202.01	67.72	134.29	198.30
Basic Loss Per Share (Baht)	-0.15	-0.33		
Gross Margin	3.04%	-4.08%		
Net Profit Margin	-23.48%	-31.48%		
Debt to Equity Ratio (Time)	1.78	5.88		

The 2017 Operating Result as ended 31 December 2017

General Information

The Company's Board of Directors had passed its resolution to arrange the 1/2017 extraordinary general meeting of shareholders on November 21, 2017 for consideration and approval of the capital increase of a number of 100 million shares by right offering (RO) to existing shareholders at a proportion of 3.89996876 new ordinary shares/1 held share and also 100 million shares by private placement for the purpose of repayment of the short-term loan and account payable payment of Baht 60 million, investment of waste water treatment construction of Baht 40 million and expenditures of construction project of Baht 100 million. The increase paid capital of Baht 200 million had been completely obtained on December 29, 2017 of which Baht 96.52 million were the registered capital and Baht 103.48 million were the subscribing amount. As of December 31, 2017, a total of registered capital was Baht 589.97 million.

Construction Income

In 2017, the company and its subsidiaries' construction income was Baht 229.11 million whereas Baht 365.23 million in 2016 showing a decrease of Baht 136.12 million or representing 37.27 % decrease since there has been no any new awarded project and such an income has been gained from 9 projects on hand since 2016 and another 3 projects completed in 2017. The 2017 income of Baht 72.04 million was recognized and remaining income of Baht 157.07 million was from 6 projects on hand.

Service Income

The service income in 2017 was Baht 22.16 million whereas Baht 40.66 million in 2016 decreasing Baht 18.50 million or 45.50 % decrease due to having only 2 service projects and those are currently completed and no any new one.

Sale Income

The sale income in this captioned year was Baht 1.05 million gained from selling of waste water treatment equipment to a foreign customer whereas no sale income in 2016.

Other Income

The other income in 2017 was Baht 2.43 million whereas Baht 8.84 million in 2016 showing a decrease of Baht 6.41 million or 72.51 % decrease since in 2016, the income was mostly gained from the reversing entries of performance guarantee maturity that has not yet been returned to subcontractors of Baht 2.85 million and engineering design service of Baht 2.79 million whereas there has been no such kind of income in 2017.

Construction Cost

The company and its subsidiaries' construction cost in 2017 was Baht 227.52 million whereas Baht 399.03 million in 2016 decreasing Baht 171.51 million or 42.98 % decrease and equivalent to the gross margin of 0.70 % and -9.25 %, respectively. The reason for increase of gross margin was due to project cancellation resulting in higher construction cost than income gained. In addition, there were 3 projects having construction cost higher than their contract value. The two of them were completed in 2016 whereas another has been under execution during the current year.

Service Cost

The service cost in 2017 was Baht 16.78 million whereas Baht 23.42 million in 2016 decreasing Baht 6.64 million or representing 28.35 % decrease and equivalent to the gross margin of 24.27 % and 42.39 %, respectively. The decrease of gross margin was due to 2 projects of which the service contract were expired and no any new one in the current year whereas in 2016, there had been 5 service projects.

Administrative Expenses

The administrative expenses in 2017 was Baht 53.89 million whereas Baht 105.59 million in 2016 showing a decrease of Baht 51.70 million or 48.96 % decrease. The significant decrease was there were the doubtful debt provision of Baht 39.10 million for terminated contract and Baht 10.46 million for damages arisen from contract termination.

Finance Cost

The finance cost of the company and subsidiaries was Baht 13.37 million whereas Baht 14.80 million in 2016 decreasing Baht 1.43 million or 9.66 % decrease due to reduction of collateral deposits at bank for repayment of short-term loan maturity.

Loss Attributable to Equity Holders of the Company

In 2017, there was a loss attributable to equity holders of the company of Baht 59.81 million whereas Baht 130.55 million in 2016 equivalent to -23.48 % and - 31.48 % net profit margin of 2017 and 2016, respectively. The decrease of loss was lower due to construction cost higher than income in 2016 as mentioned in the construction cost above and provision of doubtful debt as mentioned in the administrative expenses.

Summary of the Financial Position as ended 30 September 2017

Total Asset

As ended December 31, 2017, the total asset of the company and subsidiaries was Baht 564.75 million whereas Baht 468.38 million in 2016 showing an increase of Baht 96.37 million or 20.58 % increase. The current asset increased Baht 115.09 million and the

significant increases were cash and cash equivalents of Baht 145.37 million due to the capital increase at the end of 2017 of Baht 200 million. The account receivables and other account receivables decreased Baht 49.50 million due to reduction of the number of projects in 2017. The non-current asset decreased Baht 18.72 million due to withdrawal of non-collateral cash at bank causing the significant reduction of Baht 21.55 million for repayment of the short-term loan.

Total Liabilities

As ended December 31, 2017, the company and its subsidiaries' total liabilities was Baht 358.80 million whereas 2016 was Baht 397.86 million showing a decrease of Baht 39.06 million or 9.82 % decrease. The significant decrease was overdraft and short-term loan of Baht 74.41 million due to repayment to short-term loan by non-collateral cash and some amount of the capital increase whereas the account payables and other account payables increased Baht 42.42 million since from early 2016, the company has faced a lack of liquidity owing to continuous loss for several years causing an accumulated outstanding account payables and other account payables and upon capital increase at the end of 2017, some amount shall be repaid to those outstanding account payables. The debt to equity ratio in 2017 was equivalent to 1.78 times whereas 5.68 times in 2016 due to the aforementioned capital increase causing the reduction to the debt to equity ratio.

Shareholder Equity

As December 31, 2017, the shareholder equity of the company was totally Baht 202.01 million whereas Baht 67.72 million in 2016 showing an increase of Baht 134.29 million or 198.30 % due to the abovementioned capital increase of Baht 200 million. However, the operating loss in 2017 has remained exist of Baht 59.81 million since there were the expenses of Baht 7.22 million paid for the capital increase deducted from the exceeding amount of the ordinary share value.

Project on hand as ended December 31, 2017

Project on hands as of December 31, 2017			
	No. of project	Contract Value (Million Baht)	Backlog (Million Baht)
Construction Project	6	753.36	253.03
Service Project	-	-	
Total	6	753.36	253.03

As December 31, 2017, the company and its subsidiaries had 6 projects on hand with their contract values of totally Baht 753.36 million and backlog of Baht 253.03 million. For this captioned year, there were two completed projects whereas there has been no new awarded one. For service contract, there have been 2 completed projects but there has been no new awarded one.

Investment project on hand as ended December 31, 2017

The progress of the 2 investment projects are as follows:

1. Water Supply Investment Project for Chiang Mai Municipality : It is the Build Own and Operate (BOO) one with asset value during construction period as ended December 31, 2017 of Baht 87.07 million of which the construction has been partly executed and currently waiting for an approval of concession for water selling.

2. Waste Water Treatment Investment Project in Myanmar : It is the Build Own and Transfer (BOT) one of which the construction has been commenced and the total values of receivables under the concession agreement and intangible assets as ended December 31, 2017 were Baht 11.17 million and Baht 4.46 million, respectively.

Mr. Slib Soongsawang

Mr.Slib Soongsawang
(Chief Executive Officer)

